

**Intermountain Harm Reduction  
Project**

**Financial Statements**

**With Supplementary Information  
And  
Compliance Report**

**Year Ended December 31, 2005**

**And**

**Independent Auditors' Report**

# **Intermountain Harm Reduction Project**

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## INDEPENDENT AUDITORS' REPORT

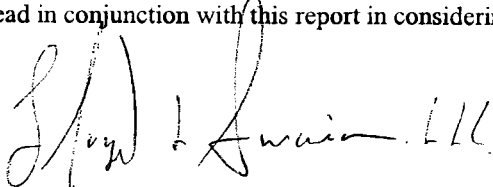
To the Board of Directors  
Intermountain Harm Reduction Project  
Salt Lake City, UT

We have audited the accompanying statement of financial position of Intermountain Harm Reduction Project (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2004 financial statements, which were audited by other auditors whose opinion dated October 28, 2005, on those statements was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intermountain Harm Reduction Project as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006 on our consideration of Intermountain Harm Reduction Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Pleasant Grove, Utah  
June 14, 2006

**Intermountain Harm Reduction Project**  
**Statement of Financial Position**  
**December 31, 2005**  
**With Comparative Totals For December 31, 2004**

<b>ASSETS</b>	<u>12/31/2005</u>	<u>12/31/2004</u>
Current assets		
Cash and cash equivalents	\$ 1,337	\$ 2,802
Accounts receivable	<u>65,120</u>	<u>41,647</u>
Total current assets	66,457	44,449
Fixed assets, at cost		
Furniture and equipment	10,802	8,244
Less accumulated depreciation	<u>(5,333)</u>	<u>(3,449)</u>
Net fixed assets	<u>5,469</u>	<u>4,795</u>
Deposits	<u>4,050</u>	<u>4,050</u>
Total assets	<u>\$ 75,976</u>	<u>\$ 53,294</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 15,302	\$ 25,308
Accrued liabilities	10,782	7,976
Lines of credit	<u>-</u>	<u>8,224</u>
Total current liabilities	<u>26,084</u>	<u>41,508</u>
Net assets		
Unrestricted	49,892	11,786
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>49,892</u>	<u>11,786</u>
Total liabilities and net assets	<u>\$ 75,976</u>	<u>\$ 53,294</u>

See accompanying notes to the financial statements.

**Intermountain Harm Reduction Project**  
**Statement of Activities**  
**Year Ended December 31, 2005**  
**With Comparative Totals For The Year Ended December 31, 2004**

	12/31/2005			12/31/2005	12/31/2004
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>					
Government grants income	\$ 393,247	\$ -	\$ -	\$ 393,247	\$ 334,322
Conference income	135,139	-	-	135,139	-
Contribution income	23,881	-	-	23,881	22,946
Interest	102	-	-	102	-
Net assets released from restrictions	-	-	-	-	-
 Total revenue and support	<u>552,369</u>	<u>-</u>	<u>-</u>	<u>552,369</u>	<u>357,268</u>
 <b>EXPENSES</b>					
Program services	449,979	-	-	449,979	327,282
Management and general	38,571	-	-	38,571	28,057
Fundraising	<u>25,713</u>	<u>-</u>	<u>-</u>	<u>25,713</u>	<u>18,702</u>
 Total expenses	<u>514,263</u>	<u>-</u>	<u>-</u>	<u>514,263</u>	<u>374,041</u>
 Change in net assets	38,106	-	-	38,106	(16,773)
 Net assets, beginning of year	<u>11,786</u>	<u>-</u>	<u>-</u>	<u>11,786</u>	<u>28,559</u>
 Net assets, end of year	<u>\$ 49,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,892</u>	<u>\$ 11,786</u>

See accompanying notes to the financial statements.

**Intermountain Harm Reduction Project**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2005**  
**With Comparative Totals For The Year Ended December 31, 2004**

	<u>12/31/2005</u>					<u>12/31/2004</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>12/31/2005 Total</u>		<u>Total</u>
Salaries and wages	\$ 204,920	\$ 17,565	\$ 11,710	\$ 234,195	\$	199,994
Payroll taxes	19,799	1,697	1,131	22,627		17,364
Employee benefits	<u>14,838</u>	<u>1,272</u>	<u>848</u>	<u>16,958</u>		<u>12,744</u>
Total salaries and related expenses	239,557	20,534	13,689	273,780		230,102
Rent	28,074	2,406	1,604	32,085		30,240
Incentives and supplies	24,512	2,101	1,401	28,013		26,132
Travel and meals	50,908	4,364	2,909	58,180		25,876
Grants to others	10,281	881	588	11,750		11,653
Office supplies	10,896	934	623	12,453		10,786
Communications	10,158	871	580	11,609		9,954
Professional services	12,831	1,100	733	14,664		9,382
Insurance	4,102	352	234	4,688		4,424
Finance charges	4,491	385	257	5,132		3,573
Postage and delivery	5,519	473	315	6,308		2,943
Dues and subscriptions	2,707	232	155	3,093		2,181
Training	4,189	359	239	4,788		1,630
Printing and copies	14,188	1,216	811	16,215		1,279
Utilities	1,379	118	79	1,576		1,048
Bank charges	4,127	354	236	4,717		660
Repairs and maintenance	779	67	45	890		585
Licenses and permits	8	1	1	10		-
Miscellaneous	3,772	323	216	4,311		363
Meals and entertainment	-	-	-	-		(98)
Facilities	<u>15,852</u>	<u>1,359</u>	<u>906</u>	<u>18,116</u>		<u>-</u>
Total expenses before depreciation	448,330	38,430	25,619	512,379		372,713
Depreciation	<u>1,649</u>	<u>141</u>	<u>94</u>	<u>1,884</u>		<u>1,328</u>
Total expenses	<u>\$ 449,979</u>	<u>\$ 38,572</u>	<u>\$ 25,713</u>	<u>\$ 514,264</u>	<u>\$</u>	<u>374,041</u>

See accompanying notes to the financial statements.

**Intermountain Harm Reduction Project**  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**  
**With Comparative Totals For The Year Ended December 31, 2004**

	<u>12/31/2005</u>	<u>12/31/2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 38,106	\$ (16,773)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,884	1,328
Changes in current assets and liabilities:		
Accounts and grants receivable	(23,473)	17,040
Checks written in excess of cash in bank	-	(2,932)
Accounts payable	(10,006)	15,279
Accrued liabilities	<u>2,806</u>	<u>(1,373)</u>
Net cash provided by operating activities	<u>9,317</u>	<u>12,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash purchases of furniture and equipment	(2,558)	(2,201)
Change in deposits	<u>-</u>	<u>(1,650)</u>
Net cash (used by) investing activities	<u>(2,558)</u>	<u>(3,851)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in lines of credit	<u>(8,224)</u>	<u>(5,916)</u>
Net cash (used by) financing activities	<u>(8,224)</u>	<u>(5,916)</u>
Net change in cash	(1,465)	2,802
Cash and cash equivalents, beginning of year	\$ 2,802	\$ -
Cash and cash equivalents, end of year	<u>\$ 1,337</u>	<u>\$ 2,802</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 5,132	\$ 3,573
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**Intermountain Harm Reduction Project**  
**Notes to Financial Statements**  
**December 31, 2005**

**1. ORGANIZATION HISTORY**

Intermountain Harm Reduction Project (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on September 18, 2000. The principle purpose of the Organization is to provide individual and group harm reduction counseling to help reduce physical and social harms associated with risk-taking behavior. The Organization's major source of revenue comes from grants and individual donations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Intermountain Harm Reduction Project is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net assets categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. All expenses are reported as changes in unrestricted net assets.



## Notes (continued)

### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established because management believes that all receivables are fully collectible.

### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### Furniture and Equipment

Furniture and equipment are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$1,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years. Depreciation expense for the year ended December 31, 2005 was \$1,844.

### Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2005.

### Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At December 31, 2005, the Organization had \$1,337 in bank deposits. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

### Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statements of financial position.

Notes (continued)

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

**3. LEASE COMMITMENTS**

The Organization entered into a lease agreement requiring monthly payments of \$1,500 for the 1<sup>st</sup> year \$1,650 2<sup>nd</sup> year and \$1,815 for the 3<sup>rd</sup> year. The lease term is three years and ends in April 2006. The Organization also entered into a new lease agreement for a drop off center in the Denver area starting in July of 2003. The lease term is month to month requiring monthly rental payments of \$900. The future minimum monthly lease payments required will be as follows:

<u>Year ending December 31,</u>	
2006	\$ 21,285
2007	<u>7,260</u>
	<u>\$ 28,545</u>

**4. LINE OF CREDIT**

The Organization assumed a revolving line of credit with a financial institution in the amount of \$15,000. The line of credit accrues interest at an annual percentage rate of 12.00%. The balance as of December 31, 2005 was \$0. Interest expense for the year ended December 31, 2005 was \$5,132.

**5. PRIOR YEAR TOTALS**

Totals for the year ended December 31, 2004 are presented for comparative purposes only. Please refer to December 31, 2004 audited financial statement for information and notes to the financial statements for that year.

**6. RETIREMENT PLAN**

The Organization has a 403 (b) Retirement Plan, which is a contributory plan and covers all employees who choose to participate. The Organization is entitled to make discretionary contributions to the plan. The Organization did not make any contributions for the year ended December 31, 2005.

**SUPPLEMENTARY INFORMATION**

**AND**

**COMPLIANCE REPORTS**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Intermountain Harm Reduction Project  
Salt Lake City, Utah

We have audited the financial statements of Intermountain Harm Reduction Project as of and for the year ended December 31, 2005, and have issued our report thereon dated June 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

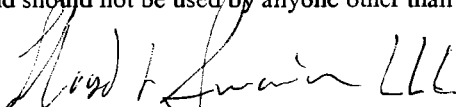
Compliance

As part of obtaining reasonable assurance about whether Intermountain Harm Reduction Project's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Intermountain Harm Reduction Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
Pleasant Grove, Utah  
June 14, 2006